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Expansion of the Home Affordable Modification Program to Assist Struggling Homeowners

Late March 2010, the Administration recently announced several enhancements to the Home Affordable Modification Program (HAMP) and the Federal Housing Administration (FHA) Program. In the Administration latest attempt to respond to the nationwide increasingly rising foreclosure rate, both unemployed and underwater borrowers are addressed in the new amendments to the HAMP program, as well as expanding available resources to assist struggling homeowners.

Refinements to the Existing HAMP Program and the FHA Program

Temporary assistance to unemployed borrowers:

- Lenders will be required to reduce payments to an affordable level (no more than 31% of the borrower's income) for three to six months while the homeowner looks for employment.
- In order to be eligible, borrowers must provide evidence that they are receiving unemployment benefits.
- Borrowers must request temporary assistance in the first 90 days of delinquency.

Encouraging principal writedowns:

- Servicers are required to consider an alternative modification approach which includes some principal writedowns for loans that are over 115% of the current value of the property.
- Servicers will receive increased incentives for providing principal writedowns in conjunction with HAMP modifications.

Improvements to reach more borrowers with HAMP modifications:

- Borrowers in active bankruptcy must be considered for HAMP modifications upon requests.
- Expansion of HAMP to include borrowers with FHA loans.
- Increased incentives for servicers who offer permanent HAMP modifications.

Assisting homeowners move to more affordable housing:

- Increased incentives to lenders to encourage alternative solutions to foreclosures including short sales and deed-in-lieu transactions.
- Double relocation assistance payments to homeowners completing foreclosure alternatives (i.e. short sales etc.) to \$3000.00.

FHA Refinance Program:

- This voluntary program for both lenders and homeowners, provides more opportunities for qualifying mortgage loans to be restructured and refinanced into FHA loans for borrowers who owe more than their home is worth.
- Eligible homeowners must be current on their existing mortgage that is not ensured by FHA.

Next Steps:

The expected implementation date of the amendments to the HAMP and FHA Program will begin by fall 2010. However, increased payments for alternatives to foreclosures are expected to start in the coming weeks.

For more information on the HAMP and FHA changes, please visit, www.makinghomeaffordable.gov

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